as the revised estimate indicated. My expectation in this direction has been more than fulfilled. The revised estimate for the year 1111 anticipated a deficit of 5·54 lakhs. But the actuals of the year closed with a deficit of only Rs. 96,000. As against this encouraging feature the revised estimate for the current year 1112 is disappointing. We prepared the budget of the current year on the basis of a nominal surplus of Rs. 46,000; but the revised estimates indicate a deficit of nearly Rs. 3·50 lakhs. I can only repeat the hope expressed on the last occasion that the actuals of the year 1112 may disclose better results. For the coming year 1113, the budget has been prepared with a surplus of Rs. 1·83 lakhs. The Finance Member will give you in the course of his speech the details regarding the variations under Receipts and Disbursements.

Retrenchment.

2. Last year I gave a review of the financial position of the State and emphasised the fundamental fact of the situation that the resources of the State do not furnish flexible sources of revenue and that the expenditure is gradually mounting up. I concluded by saying that a rigid control has therefore to be kept over almost every department of the State. During the year under review every effort was made to control expenditure, and I had to devote special attention to the problem of the financial equilibrium of the State. My study of this problem has brought to light certain interesting features of the situation which it will be worth while for me to explain to the House. Especially in the light of the various discussions that we had about retrenchment in public expenditure and the report of the Retrenchment Committee which is now in the hands of Honourable Members, it would be worth while to realise what exactly are the possibilities and limitations in the field of retrenchment. From a comparative study of the revenues of the State during the last three years, it may be fairly assumed that the total gross revenue of the State may be put down as Rs. 100 lakhs per year. To get a more accurate idea of the financial position, it would be better to deduct from this the gross receipts under 'Railways' and take only the net yield that the railways give. Taking the income from the railways as approximately Rs. 5 lakhs net, the total net revenue of the State is Rs. 87 lakhs per year.

Need for a Surplus.

3. The common saying that every prudent man must live within his means applies with equal if not greater force to Gov-

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ernments also. The chief concern of the Government is therefore to adjust the expenditure in such a manner that it is well within our resources. All other considerations must necessarily have to be subordinated in the interests of a balanced budget. With an income of Rs. 87 lakhs the expenditure has to be so adjusted that there might be a reasonable surplus left at the end of every year. For a small State with limited resources, unless a fund is built up with the realised surplus of every year, it will be difficult to find the necessary funds for undertaking capital expenditure which cannot be financed from the current revenues of a year. Though it is the usual practice for modern Governments to finance capital expenditure with borrowed money, this policy has to be applied very cautiously in the case of a small State. We have already raised public loans to the extent of Rs. 105 lakhs and by the time the Fourth Stage Works of the Harbour are completed we would have borrowed another Rs. 30 lakhs from the Government of India. The public debt of the State would therefore be Rs. 135 lakhs within the next two years. No doubt all this amount has been invested in reproductive capital enterprise. In fact about Rs. 75 lakhs of this investment is in the nature of a loan to the Harbour Authority which will have to be repaid to us in course of time. Though our borrowing policy has been extremely sound and cautious, nevertheless we cannot depend upon borrowed capital for undertaking all the various capital enterprises which will have to be undertaken for developing the resources of the State. It would therefore be a wise policy to put by a certain amount every year for meeting our obligations under capital expenditure. It would be difficult to indicate an exact figure for this purpose; but I may say with confidence that at least Rs. 3 lakhs every year would have to be saved from the current revenues for this purpose. The budget of every year can be considered to be satisfactory only if it results in a realised surplus of not less than Rs. 3 lakhs.

Analysis of expenditure.

4. With this picture of our general financial position let us now examine the disbursement side of our budget. I observed that it would be safe to assume that the net income of the State will be about Rs. 87 lakhs for the present. Some additional revenue may no doubt be expected with the development of the harbour and with the payment of interest charges by the Harbour Authority on the remaining 150 acres of the Reclamation Ground. It would not be safe to expect additional income from these sources for the next two or three years. With an income

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